

Message Text

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PAGE 01 GENEVA 09300 271837Z

ACTION STR-02

INFO OCT-01 EA-06 IO-06 ISO-00 STRE-00 EB-04 INR-05
CIAE-00 NSAE-00 DODE-00 L-01 H-01 OMB-01 TRSE-00
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FM USMISSION GENEVA

TO SECSTATE WASHDC IMMEDIATE 2386

INFO AMEMBASSY TOKYO PRIORITY

C O N F I D E N T I A L GENEVA 09300

LIMDIS

USMTN

STR FOR ACTION

EO 11652: GDS

TAGS: ETRD, MTN

SUBJECT: JAPANESE EMERGENCY MEASURES AND THE MTN

BASE RATES/BASE DATE ISSUE

REF: TOKYO 16614

1. USMTN DEL DOES NOT FAVOR ACCEPTANCE OF JAPANESE PROPOSAL REFTEL. INSTEAD, WE SUGGEST A COUNTER-PROPOSAL, NAMELY U.S. WOULD BE PREPARED TO GIVE CREDIT IN THE MTN FOR ANY NEW UNILATERAL TARIFF REDUCTIONS WHICH REDUCE CURRENTLY APPLIED RATES PROVIDED SUCH UNILATERAL CUTS ARE SUBSEQUENTLY BOUND AS PART OF THE MTN FINAL PACKAGE.

2. OUR REASONS ARE AS FOLLOWS:

A. WE HAVE NO AUTHORITATIVE INFO ABOUT SCOPE,
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PAGE 02 GENEVA 09300 271837Z

DEPTH OF CUT, AND U.S. TRADE INTEREST IN PRODUCTS FOR WHICH JAPAN MAY DECIDE TO MAKE NEW UNILATERAL CUTS. IF PRODUCT COVERAGE IS THIN AND/OR INCLUDES ITEMS OF LITTLE REAL TRADE VALUE TO U.S. (E.G., AUTOMOBILES, STEEL, TVS, SCOTCH WHISKEY) ACCEPTANCE OF REFTEL PROPOSAL WOULD GIVE US LITTLE SHORT-TERM GAINS BUT AT SAME TIME SERIOUSLY PREJUDICE CHANCES OF RESOLVING

IN A SATISFACTORY WAY THE BIGGER PROBLEM POSED BY US-JAPAN BASE RATES/BASE DATE ISSUE, NAMELY THE UNILATERAL JAPANESE TARIFF CUTS FIVE YEARS AGO WHICH WERE EXTENSIVE IN COVERAGE AND RELATIVELY DEEP (20). THE GOJ PROPOSAL, ALTHOUGH COUCHED PRIMARILY IN TERMS OF THE PROSPECTIVE NEW (BUT UNSPECIFIED) UNILTERAL TARIFF CUTS, WOULD MAKE IT VIRTUALLY IMPOSSIBLE TO MOVE GOJ OFF ITS POSITION THAT JAPAN SHOULD GET FULL CREDIT IN THE MTN FOR UNILATERAL CUTS MADE FIVE YEARS AGO. PRACTICAL EFFECT WOULD BE TO SUBSTANTIALLY REDUCE THE EXTENT TO WHICH JAPAN WOULD ACTUALLY REDUCE TARIFF BARRIERS FACED BY U.S. AND OTHER EXPORTERS BECAUSE THEY WILL CLAIM THEY ALREADY MADE A LARGE PART OF THEIR CUT FIVE YEARS AGO. THERE ARE OVER 2,000 BOUND JAPANESE TARIFF LINE ITEMS WITH 1974 IMPORTS FROM THE U.S. OF APPROXIMATELY \$5 BILLION WHERE APPLIED RATES ARE LOWER THAN THE BOUND RATES; THERE ARE APPROXIMATELY 160 UNBOUND JAPANESE TARIFF LINE ITEMS (1974 IMPORTS FROM U.S. \$350 MILLION) WHERE APPLIED RATE IS LOWER THAN THE "GENERAL" (STATUTORY) RATE.

B. GOJ WILLINGNESS TO MAKE A SUBSTANTIAL NUMBER OF DEEPER-THAN-FORMULA CUTS TAILORED TO U.S. NEEDS IS A POSITIVE ELEMENT IN THE REFTEL PROPOSA BUT WE BELIEVE WE SHOULD AVOID ACCEPTANCE THAT WOULD REQUIRE US TO APPEAL FOR SUCH JAPANESE ACTION ITEM-BY-ITEM. INSTEAD, AUTOMATICITY WOULD BE OF MUCH MORE VALUE TO US AND MIGHT EVEN

CONFIDENTIAL

PAGE 03 GENEVA 09300 271837Z

OFFER A POSSIBLE WAY FOR SOLUTION OF THE BASE RATES/BASE DATE PROBLEM, I.E., THE JAPANESE RATE THAT WOULD BE BOUND AT THE END OF THE MTN WOULD BE THE RATE RESULTING FROM APPLICATION OF THE AGREED FORMULA TO BOTH THE GATT BOUND RATE AND THE UNBOUND STATUTORY RATE PROVIDED REPEAT PROVIDED THE APPLIED RATE WOULD ALSO BE REDUCED BY THE SAME AMOUNT.

2. DRAFTED BY CULBERT AND MCNAMARA. CULBERT

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Control Number: n/a
Copy: SINGLE
Sent Date: 27-Oct-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
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Disposition Reason:
Disposition Remarks:
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Executive Order: GS
Errors: N/A
Expiration:
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